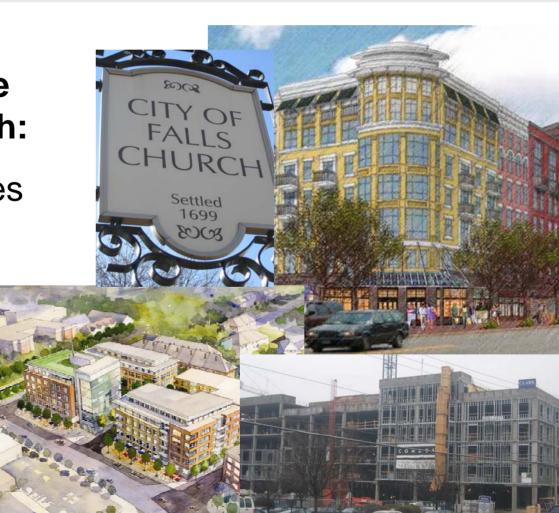


Development in the City of Falls Church:

Trends, Opportunities and Challenges

February 6, 2007



About Akridge

- Over 33 years of Washington, D.C. real estate experience
- Approximately 10 million square feet of space acquired/developed
- Full Service Organization 165 employees
- Partners include leading institutional investors such as: Prudential,
 RREEF, ING Clarion, Morgan Stanley, Cornerstone, Akridge Office Fund
- Winner of numerous local and national awards
- Average portfolio occupancy 99% since 1976



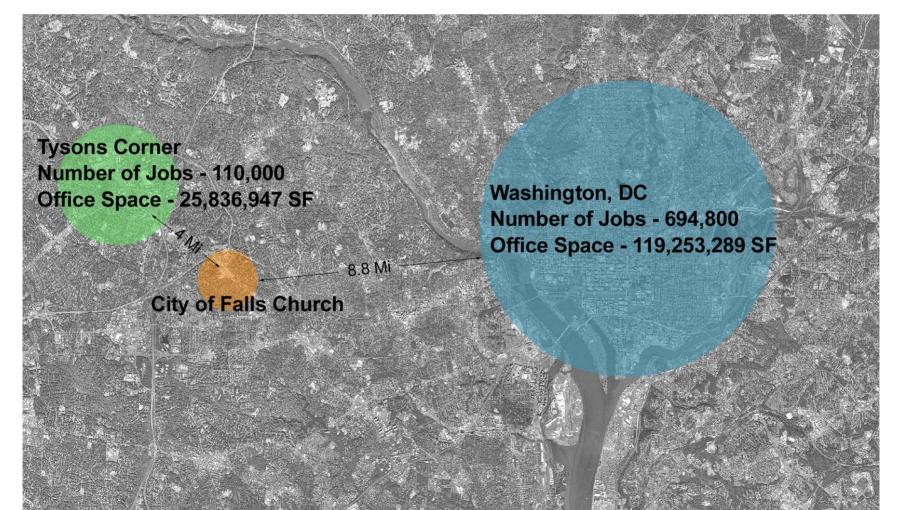








Falls Church – the location



Falls Church - The Potential

- The personality
- Build on what works
- Incorporate new uses
- Positive Economic impact







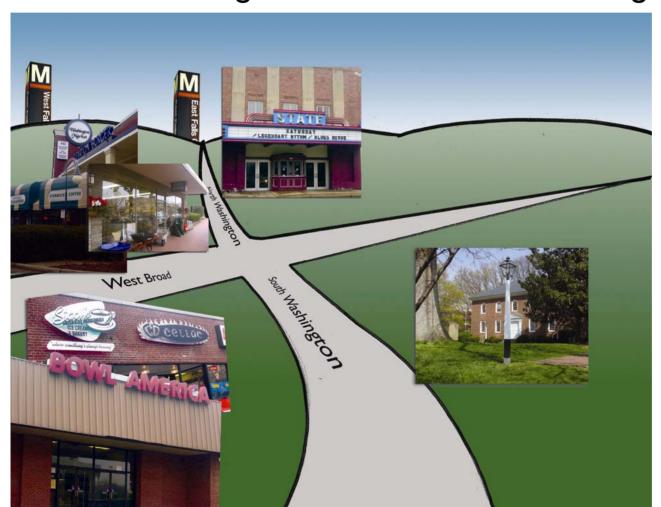
Falls Church Office Development

- What attracts office users?
 - Economics
 - Sense of place/uniqueness
 - Other office users (agglomeration)





Place Making: Falls Church - the Village



"Come Home to Falls Church...

...the crossroads of History and Technology."



How to Bring Office Users

- Target specific user groups
 - Trade associations
 - Small professional firms
- Example Old Town
- Easy sites developed

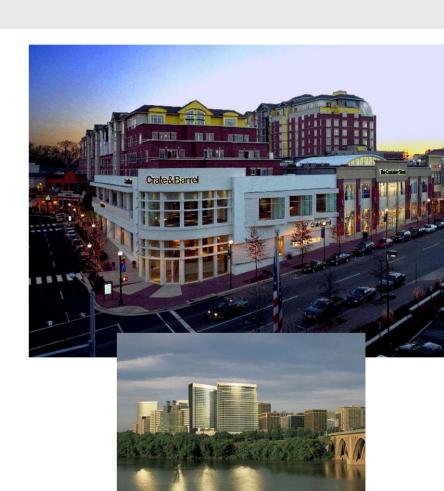






Density Considerations

- Use increased density to effectuate desired change
- Residential → Retail → Office
- Increased zoning density encourages redevelopment





Economics of Density – Encouraging Desired Changes

Existing office building in Falls Church Surface Parking 2 acre site

95% rentable 0.4 FAR

\$25.00 psf Full Service 34,850 SF building

\$17.00 psf NNN 33,107 SF

Net Income \$ 562,828

Value Capped at 7% \$8,040,392

Density at 3 FAR 261,360 SF x 52.50= **\$13,721,400**

5 FAR 435,600 SF x 52.50= **\$22,869,000**

\$65 FAR Residential

\$15 FAR Office

Blended Rate \$52.50 psf FAR

75% Residential 25% Commercial



How to Increase Density

- Target density near Metro stations.
 5 FAR in close proximity to Metro,
 tapering to 3 FAR on Broad Street and Washington Street
- Encourage consolidation of small parcels with bonus densities
- Insist on good design
- Reducing uncertainty with regard to proffers
- Optional Method of Development (Montgomery County)





Economics of Underground Parking

```
1000 SF Residential
1.5 spaces @ $30,000/space = $45,000
$45 psf FAR
```

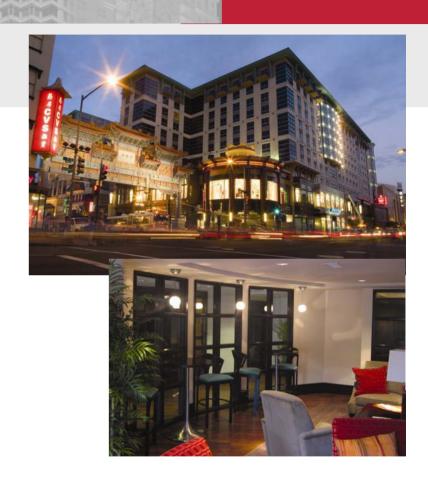
```
1000 SF Office
3.3 spaces at $30,000/space = $99,000
$99 psf FAR or 33% of the cost of an office building
```

- City evolving
- Urban parking strategy/shared parking in mixed-use projects
- Impact of Metro, George bus, Zip Car

Akridge

The Market & Flexibility

- Changing market conditions
- Office to mixed-use post 9/11 and tech bubble
- Condos to apartments post housing bubble
- Markets constantly changing
 - Switching uses
 - Pre-construction
 - During construction
- Entitlement flexibility formed based code, etc.





Affordable Housing

- Goal to provide and encourage provision of ADU's
 - Incentives
 - Simplified process
- Cash contribution option vs. on-site
- Broaden geographic scope



Affordable Housing – Current City Policy

On-site Concrete with Elevator Building vs. Off-site Garden Style Buildings

Example: The Spectrum at 444 W. Broad

Land 96,853 SF

Residential (191 units) 291,000 SF

Office: 32,000 SF

Retail: 28,600 SF

351,600

Under Current City Policy

City of Falls Church Will Receive: 8 ADUs at 725 SF/unit



Affordable Housing – Cash Contribution Option

Arlington County Requirements: 1) If built on-site, 5% over an FAR of 1.0

2) Cash contribution:

\$1.50 psf to an FAR of 1.0

\$4.00 psf for FAR between 1.0 and 3.0

\$8.00 psf (residential) and \$4.00 psf (commercial) for FAR 3.0

City of Falls Church will receive:

\$1,366,349

Using a VHDA First Mortgage Loan at 83% of Total Project cost (generic 50 apt est.)

Total funds available for Off-site project

\$8,037,345

Based on Garden-Style Apt Construction Costs

Cost

COSL			
Land		\$ 65	psf
Sitework		\$ 8	psf
Building		\$ 90	psf
Soft cost	18%	\$!8	psf
Financing	10%	\$ 10	
		\$190	psf

At 725 SF per unit: \$138,069 per unit

City of Falls Church Will Receive:

58 ADUs at 725 SF/unit



Affordable Housing

Cash Contributions – more effective and more efficient

8 ADUs at 725 SF/unit – Current City policy

58 ADUs at 725 SF/unit – Utilizing cash contributions

Conclusion

- Unique opportunities here great potential
- Marketing effort for the City public/private partnership
- Encourage development
 - Increase density
 - Definitive proffers
 - Optional Method
- Affordable Housing options to produce more units

